

Message Text

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ACTION EB-08

INFO OCT-01 EA-10 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-05 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01
FEA-01 /086 W

-----018254 011058Z /17

P 011020Z DEC 77

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 3241

C O N F I D E N T I A L TOKYO 18504

E.O. 11652: GDS

TAGS: EFIN, JA

SUBJECT: STANDARD METHOD OF SETTLEMENT

1. SUMMARY: MINISTRY OF FINANCE (MOF) WOULD APPRECIATE BOTH CLARIFICATION OF OBSTACLES TO U.S. EXPORTS WHICH U.S. BELIEVES ARE PRESENTED BY JAPAN'S STANDARD METHOD OF SETTLEMENT SYSTEM (SMS), AND MORE SPECIFIC SUGGESTIONS AS TO WAYS IN WHICH THE SYSTEM MIGHT BE EASED (NOT ELIMINATED) IN ORDER TO MEET SPECIFIC U.S. PROBLEMS. MORE DETAILED STATEMENT OF U.S. CONCERNS REQUESTED BY CLOSE OF BUSINESS HERE FRIDAY DEC 2. END SUMMARY.

2. HIRAO (DEPUTY DIRECTOR GENERAL, INTERNATIONAL FINANCE BUREAU, MOF) ASKED FINATT TODAY TO SEEK CLARIFICATION FROM WASHINGTON BOTH OF (A) THE OBSTACLES WHICH THE U.S. BELIEVES THE SMS POSES TO U.S. EXPORTS TO JAPAN AND (B) SPECIFIC STEPS THAT MIGHT BE TAKEN TO RELIEVE PROBLEMS FOR SPECIFIC EXPORT SECTORS. HE POINTED OUT THAT INTENSIVE EFFORTS WERE CURRENTLY UNDER WAY TO BE RESPONSIVE TO U.S. SUGGESTIONS IN THIS (AS WELL AS OTHER) AREAS AND EXPRESSED THE HOPE THAT FURTHER CLARIFICATION OF U.S. VIEWS WOULD BE MADE AVAILABLE PROMPTLY IN ORDER TO ENABLE THE GOVT OF JAPAN
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(GOJ) TO BE MORE RESPONSIVE TO U.S. NEEDS. HE HOPED TO HAVE RESPONSE THIS WEEK IF POSSIBLE.

3. BASIC THRUST OF HIRAO'S PRESENTATION WAS THAT THE JAPANESE SINCERELY COULD NOT UNDERSTAND WHY THE SMS POSED AN OBSTACLE TO U.S. EXPORTS. HE POINTED OUT THAT OF JAPAN'S IMPORTS, OIL WAS THE ONLY MAJOR SECTOR WHERE FINANCING WAS

PROVIDED BY EXPORTERS, AND IMPROVING FINANCING FOR JAPANESE OIL IMPORTS WAS OBVIOUSLY NOT WHAT THE USG HAD IN MIND. IN OTHER AREAS, EXPORTERS' CREDIT WAS QUITE RARE. IN MOST OF THESE CASES IMPORTS ARE FINANCED EITHER BY MEANS OF FOREIGN CURRENCY OR YEN LOANS FROM JAPANESE OR FOREIGN BANKS TO THE IMPORTER, WHO PAYS THE FOREIGN EXPORTER IMMEDIATELY -- AND THUS THERE IS NO PROBLEM WITH THE SMS. (BANK CREDIT IS EITHER EXEMPT FROM THE FOREX CONTROL REGULATIONS IF IN YEN OR COVERED BY PROVISIONS OTHER THAN THE SMS.) IT WAS ALSO POINTED OUT THAT THE PURPOSE OF THE SMS WAS TO FACILITATE TRADE BY ELIMINATING THE NEED FOR SPECIAL AUTHORIZATION FOR THE BULK OF SETTLEMENTS, WHICH TAKE PLACE WITHIN THE GENERAL GUIDELINES SET DOWN BY THE SMS.

4. HAVING SAID THIS, HIRAO INDICATED THAT THE GOJ WAS QUITE PREPARED TO DO ITS BEST TO MEET ANY SPECIFIC PROBLEMS THAT WE HAVE OR ENVISAGE. HE SAID THAT A FULLER EXPLANATION OF THE CONCERNS WHICH LIE BEHIND THE U.S. SUGGESTIONS FOR ELIMINATING THE SMS WOULD BE APPRECIATED. FURTHERMORE, HE EXPRESSED THE HOPE THAT WE COULD SUPPLY INFORMATION WITH RESPECT TO SPECIFIC EXPORT SECTORS IN WHICH WE THOUGHT ACTIVITY WAS BEING HINDERED BY THE SMS. HE HOPED ALSO THAT WE COULD INDICATE THE METHOD BY WHICH WE THOUGHT SUCH EXPORTS WOULD APPROPRIATELY OR NORMALLY BE FINANCED. WITH THIS INFORMATION IN HAND, THE GOJ WOULD DO ITS BEST TO MEET U.S. CONCERNS.

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5. COMMENT: THE ENTIRE TENOR OF THE CONVERSATION WITH HIRAO WAS THAT THE GOJ WOULD BE PREPARED TO DO ANYTHING REASONABLE TO ALLEVIATE SPECIFIC U.S. CONCERNS BUT THAT THEY NEED TO HAVE MUCH MORE JUSTIFICATION AND DETAIL BEFORE REACHING A DECISION. IT WAS ALSO CLEAR FROM THE CONVERSATION THAT THEY FOUND THE U.S. CASE FOR ABOLISHING THE SMS WITH RESPECT TO IMPORTS LESS THAN PERSUASIVE, ALTHOUGH THEY ARE PROBABLY NOT IN ANY CASE PREPARED TO GIVE SERIOUS CONSIDERATION TO TOTAL ABOLITION. THEY WERE OBVIOUSLY CONCERNED AT THE POSSIBILITY THAT, BEING UNWILLING OR UNABLE TO MEET U.S. SUGGESTIONS COMPLETELY, THEY WOULD DO SOMETHING AT SOME COST TO THEMSELVES AND NO REAL BENEFIT TO THE U.S. FINATT ARGUED THAT U.S. SUGGESTIONS WERE IN FACT QUITE CLEAR BUT AGREED AFTER CONSIDERABLE DISCUSSION TO TRANSMIT REQUEST FOR CLARIFICATION TO WASHINGTON.

6. EARLIER EMBASSY CABLE TODAY REPORTS SIMILAR CONVERSATION WITH FOREIGN OFFICE.
MANSFIELD

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STANDARDS, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 01-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977TOKYO18504
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770445-0480
Format: TEL
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197712103/aaaadjly.tel
Line Count: 113
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 01e6cefb-c188-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 18-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 109256
Secure: OPEN
Status: NATIVE
Subject: STANDARD METHOD OF SETTLEMENT
TAGS: EFIN, JA
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/01e6cefb-c188-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009